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Held at Headquarters, New York,
on Monday, 15 July 1996, at 3 p.m.

President: Mr. KOVANDA (Vice-President) (Czech Republic)

later: Mr. HENZE (Vice-President) (Germany)

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In the absence of Mr. Gervais (Côte d'Ivoire), Mr. Kovanda (Czech Republic), Vice-President, took the Chair.

The meeting was called to order at 3.15 p.m.

ECONOMIC AND ENVIRONMENTAL QUESTIONS: REPORTS OF SUBSIDIARY BODIES, CONFERENCES AND RELATED QUESTIONS (continued)

(g) INTERNATIONAL COOPERATION IN TAX MATTERS (E/1996/62)

(i) FOLLOW-UP TO GENERAL ASSEMBLY RESOLUTION 50/106: BUSINESS AND DEVELOPMENT

Mr. BERTUCCI (Director, Division of Public Administration and Development Management), introducing the report of the Secretary-General on the seventh meeting of the Ad Hoc Group of Experts on International Cooperation in Tax Matters (E/1996/62), summarized the history of the work of the Group of Experts and outlined the agenda of the seventh meeting.

In the light of the increased interdependence of States within a global market economy, the role of the Group of Experts had gained increasing relevance to the needs of Member States, in particular, developing countries and countries with economies in transition. The Group's advice on tax matters could assist Governments to create an enabling environment for economic activities. It was the only forum in which the industrialized countries, the developing countries and the countries in transition could hold a dialogue on matters relating to international taxation.

The Group of Experts had recommended that the Secretariat should prepare for its consideration at its eighth meeting draft revisions of the United Nations Model Double Taxation Convention between Developed and Developing Countries and of the Manual for the Negotiation of Bilateral Tax Treaties between Developed and Developing Countries. Their adaptation to current national and international economic environments would make a significant contribution to international income allocation and financial resource mobilization. The recommendation would be implemented from existing resources.

The Group of Experts also had recommended the convening of five annual interregional training workshops, to be attended by developing countries and countries with economies in transition, on the negotiation of bilateral tax

treaties and matters concerning international income allocation. The workshops would be financed with voluntary contributions.

Lastly, the Group of Experts had requested the Secretariat to undertake a study of arbitration as a tool to resolve international transfer pricing disputes and to make recommendations on relevant mechanisms for its consideration at its eighth meeting.

Mr. HAMDAN (Lebanon) asked whether the Ad Hoc Group of Experts had a working relationship with the United Nations Commission on International Trade Law and, if so, how their activities were coordinated.

Ms. LEBL (United States of America) said that more progress could be made in achieving international cooperation by discussing individual issues which caused problems between countries than by reopening the entire United Nations Model Double Taxation Convention for revision. Furthermore, the Council should take no action on the question of revising the Model Convention until the Steering Committee to be selected from among the members of the Group of Experts had submitted its recommendations on the subject.

Mr. SYARGEEU (Belarus) said that his delegation appreciated the work of the Group of Experts in studying modern trends in taxation and formulating recommendations to Governments for the improvement of national tax legislation. The Group of Experts should now formulate recommendations on the drafting of bilateral and multilateral treaties on the avoidance of double taxation, and also other tax questions.

His delegation could not support the proposals made at the fourth session of the Commission on Sustainable Development on taxing the purchase of airline tickets to obtain additional resources for sustainable development or the proposals made at the high-level segment of the Council for a tax on currency transfers or on weapons purchases. Belarus believed that financial resources for development must be allocated by States on a purely voluntary basis.

Mr. SAVOSTIANOV (Russian Federation) said that his delegation attached great importance to international cooperation in the area of taxation, including the exchange of experience between countries and technical assistance for strengthening national potential. Those issues were of particular significance to the Russian Federation in the context of the economic reforms which were being carried out.

In general his delegation supported the work of the Group of Experts and welcomed the inclusion in its work of countries with economies in transition. Transfer pricing and tax treatment of financial instruments were subjects of particular interest. His delegation believed that in future the Group of Experts should take up more issues that were of interest to a broad range of countries.

Mr. BERTUCCI (Director, Division of Public Administration and Development Management), replying to the representative of Lebanon, said that thus far there had not been much interaction between the Group of Experts and the United Nations Commission on International Trade Law. If any item on the Group's agenda required such cooperation, the Secretariat would ensure that it took place.

In reply to the representative of the United States of America, he said that many delegations in the Group of Experts had expressed the view that it would be inappropriate to reopen negotiations on the United Nations Model Double Taxation Convention in its entirety and that revisions should be considered only in respect of subjects regarding which the Convention had become outdated or which were not covered therein.

He had taken note of the remarks by the representatives of Belarus and the Russian Federation.

The PRESIDENT suggested that the Council should take note of the report of the Secretary-General on the seventh meeting of the Ad Hoc Group of Experts on International Cooperation in Tax Matters (E/1996/62).

It was so decided.

Mr. MARRERO (United States of America) said, with reference to the question of business and development, that his delegation planned to introduce a draft resolution which recommended to the General Assembly the adoption of a draft United Nations declaration on corruption and bribery in transnational commercial activities.

Bribery distorted markets and hindered economic development, substituting graft for quality, performance and suitability in global markets. Bribes undermined democratic accountability, since weak Governments were further weakened by corruption and emergent democracies were threatened. Bribery also created a type of non-tariff barrier to trade, placing companies which refused to engage in the practice at a disadvantage.

By encouraging Member States to take certain actions in transnational commercial activities in order to combat bribery, the draft declaration reaffirmed the link between good governance and economic growth. The prevention of corruption enhanced fairness and competitiveness in transnational business transactions and benefited the general public as well. Such action also complemented the efforts of the Organisation for Economic Cooperation and Development, the Organization of American States and other international organizations to eradicate bribery and corruption.

The meeting was suspended at 3.45 p.m. and resumed at 5.10 p.m.

Mr. Henze (Germany), Vice-President, took the Chair.

PERMANENT SOVEREIGNTY OVER NATIONAL RESOURCES IN THE OCCUPIED PALESTINIAN AND OTHER ARAB TERRITORIES (A/51/135-E/1996/51)

Mr. EL-BEBLAWI (Executive Secretary, Economic and Social Commission for Western Asia (ESCWA)) said that the report on the economic and social repercussions of the Israeli settlements on the Palestinian people in the Palestinian territory, including Jerusalem, occupied since 1967, and on the Arab population of the Syrian Golan (A/51/135-E/1996/51, annex) had been prepared by ESCWA in response to the request in General Assembly resolution 50/129. It covered the period from April 1995 to March 1996.

The report revealed the different approaches that had been taken by Israel to expand its settlement activities, varying from the expropriation of Arab land to the confiscation of agricultural land and the closure of vast tracts, mostly under the pretext of security reasons or citing the establishment of a nature reserve. It also shed light on the new Israeli thinking and the changes in the attitudes of Jewish settlers, especially in the context of the implementation of the Interim Agreement on the West Bank and the Gaza Strip (Oslo II) and the redeployment of the Israeli army and its evacuation of the agreed areas. Contrary to expectations and to the contradictory Israeli official statements, various methods had been followed to intensify the continued Israeli policy of building new settlements, and expanding existing settlements, and building roads and diverting water resources to serve those settlements.

The information in the report was based on different sources, primarily materials from the United Nations publications and reports and the Israeli and Palestinian press.

Mr. RAMOUL (Observer for Algeria), speaking as President of the Group of Arab States for the month of July, said that the Council had little to show for all the resolutions it had adopted concerning the illegality of Israeli settlements in the occupied Palestinian territory, including Jerusalem, and the occupied Syrian Golan. Indeed, the ESCWA report (A/51/135-E/1996/51, annex), which demonstrated how far the Israeli Government was prepared to go to strengthen and expand illegal settlements, could only heighten its concern.

The spirit of optimism surrounding the Middle East peace talks, based on the agreed principle of land for peace, had soon been dissipated by failure to achieve progress on the settlements issue. With the advent of the current Israeli Government, the Group of Arab States wished to record its deep concern that settlement expansion had become part of overall government strategy. The international community should intervene with great urgency to prevent that policy from undermining the opportunity for peace in the area.

With regard to the report itself, while it contained a great deal of useful information drawn from a variety of sources, its layout made it less accessible to the reader.

Mr. SHREIM (Observer for Palestine) said that the Israeli settlements in the occupied Palestinian territory, including Jerusalem, violated the private property rights of individual Palestinians, Palestinian national rights, international law, international humanitarian law, and the will of the international community, which had always affirmed that such settlements were illegal. The settlements represented a flagrant violation of various conventions and resolutions including the Geneva Convention relative to the Protection of Civilian Persons in Time of War, which was applicable to all territories occupied by Israel since 1967, including Jerusalem, and successive United Nations resolutions, in particular Security Council resolution 465 (1980). The continued establishment of new settlements and expansion of existing settlements was a clear violation of the spirit of peace process and contradicted its basic principles including the principle of land for peace, embodied in Security Council resolutions 242 (1967) and 338 (1973).

The Israeli policy of establishing and enlarging settlements in the occupied territory constituted a campaign of colonization of Palestinian land which had a severe and devastating impact on the Palestinian people, their land, natural resources and economy. The new Israeli Government had made it clear

that it was committed to expanding the settlements, thereby undermining the peace process and flouting the agreements signed with the Palestine Liberation Organization (PLO). The United Nations, including the Security Council, must reject any attempts by Israel to destroy the peace process by pursuing an active settlement policy.

Over the years, Israel had intensified its settlement activities in and around Jerusalem, confiscating Palestinian land and encircling Arab East Jerusalem with Jewish settlements, with a view to creating a de facto situation which would be impossible to reverse. That policy of Judaization of Jerusalem must be strongly condemned, since Jerusalem was the key to arriving at a just peace in the Middle East.

The Palestinian side remained committed to the peace process and would honour its obligations in that regard. It was ready to negotiate with the new Israeli Government on the basis of the implementation of the agreements reached and of Security Council resolutions 242 (1967) and 338 (1973). It would not accept any deviation from those agreements.

Mr. HAMDAN (Lebanon) said that the report before the Council revealed how the Israeli administration used settlement policy to put pressure on Arab peace negotiators, postponing discussion of the issue in order to make economic and territorial gains under the pretext that the rightful owners of the land had relinquished their right to it. Rather than end its illegal policy, the Israeli Government had ignored requests for assistance from settlers wishing to leave occupied territory and had encouraged groups to occupy vacated settlements under the "Land of Israel First" scheme. By confiscating, expropriating or seizing agricultural land, the Israeli authorities had also deprived many Palestinian families of their only source of income. Archaeological and religious sites had been destroyed, as had the homes of countless Arab families. As a result, only 4 per cent of land in occupied East Jerusalem was available for potential use by the Palestinians.

Given that background, the report should have provided more detail about the economic and social impact of settlements on Palestinians and the Arab population of the Syrian Golan, particularly with regard to education, cultural identity, income levels, water rights and overall economic development. The Council itself should make its voice heard on the matter, demonstrating clear

political will to support the land-for-peace principle, in order to put an end to the suffering of the Palestinian and Arab people.

Mr. ABDELLATIF (Egypt) said that the ESCWA report should have said more about the situation of the Arab population in the occupied Syrian Golan and the economic and social repercussions of the settlement policy.

At the international level, many resolutions had been adopted calling for an end to settlements in the occupied territories and recognizing the inalienable right of the Palestinians and the Arab population of the Syrian Golan to enjoy the natural and economic resources there. In 1979, for example, the Security Council had adopted resolution 446 (1979) declaring that Israeli settlements had no legal validity and constituted a serious obstacle to peace. A year later, the Security Council had called for the protection of private and public property in the occupied territories. Despite those and other resolutions, Israel had flaunted international law, offering tax breaks and financial incentives as a way of encouraging further settlement.

Moreover, the Israeli Government had demonstrated bad faith with regard to transitional agreements on autonomy in the occupied territories, using them as a cover for further expropriation of Palestinian land. Under the pretext of constructing a security wall to protect a handful of settlers in Hebron, thousands of Palestinian families had been denied the freedom promised them in the accord of 1995. The Israel Government's failure to withdraw from that area, coupled with its ongoing violation of international accords, threatened to undermine the achievement of peace in the region. For that reason, the international community should intervene and insist that Israel should abide by peace agreements based on the principle of land for peace.

Mr. AALA (Observer for the Syrian Arab Republic) said that the Council's discussion reflected the international community's concern over the continuing Israeli occupation of Arab territories and its inhuman treatment of the Arabs, to whom the land belonged. Although the international community was trying to confirm the inalienable right of the Palestinian people and the Arabs of the Syrian Golan to sovereignty over their natural and other economic resources and regarded any infringement of that right as illegal, the facts indicated that Israel was continuing its settlement policies and intended to extend them.

Security Council resolution 446 (1979) recognized that Israeli settlement policy and practice had no legal validity and deemed it a serious obstruction to a just and lasting peace in the region. That position was reaffirmed in resolution 465 (1980), which underscored the need for measures for the protection of private and public land and property, and water resources, and affirmed the applicability of the Geneva Convention relative to the Protection of Civilian Persons in Time of War (1949) to the Arab territories occupied by Israel since 1967, including Jerusalem. In resolution 497 (1981) the Security Council had stated that Israel's decision to annex the Golan was null and void and had called upon Israel to withdraw.

Although the peace process that had begun at Madrid in 1991 was based on Security Council resolutions 242 (1967), 338 (1973) and 465 (1980) and the principle of land for peace, Israel had continued its settlements policy and so defied the will of the international community and challenged the whole peace process. The ESCWA report (A/51/135-E/1996/51, annex) showed that Israel had continued to expand in the occupied territories and that Israeli policies had adversely affected the Arab population: in the Syrian Golan, settlers were being offered financial and tax incentives by the Israeli authorities to expand the settlements and, under a plan to settle 1,000 families there in one year, 120 families had been settled in the course of only two months. That number indicated the extent of the suffering of Syrian citizens in the Golan. Not only had their land, agricultural produce, livestock and water been confiscated, but they were also obliged to pay exorbitant taxes, faced obstacles to marketing their goods and had no basic health care or emergency services. Their environment had been degraded by such Israeli practices as setting fire to forests, uprooting trees and dumping factory waste. Moreover, the Arab identity of the Syrian Golan was being jeopardized by the imposition of Israeli identity. Arab educational programmes had been replaced by Hebrew educational programmes and young Syrians were denied access to universities. That policy of cultural, economic and social pressure was aimed at imposing occupation and so constituted a serious violation of United Nations resolutions, of international law, of the Hague Convention IV of 1907 and of the Geneva Convention of 1949.

The Syrians of Golan and the Palestinians had suffered similar experiences as a result of the settlements policy, which had intensified. The area of land confiscated on various pretexts by Israeli authorities between July 1992 and

December 1995 amounted to more than 230,000 dunums, and the authorities continued to take steps against the Arab presence in the cities, imposing exorbitant taxes and confiscating Arab property to eliminate Arabs from Jerusalem.

Israel's occupation of Arab territory, its continued settlements policies and its attempts to deprive the peace process of any real content meant that it was challenging international law. The international community had to force Israel to desist from its aggressive policies, comply with the United Nations resolutions which stressed the inadmissibility of the acquisition of land by force, and withdraw from southern Lebanon and other territories occupied since 1967, including Jerusalem and the Syrian Golan, back to the 4 June 1967 line.

Mr. ABDELLAH (Tunisia) said that the ESCWA report omitted a number of facts which showed that Israel was pursuing an expansionist policy and scorned existing agreements and current negotiations between the Palestinian authorities and Israel. Israel had failed to withdraw from Hebron as it had solemnly promised to do and, given its stated and continued expansionist policies, there was ground to question Israel's intentions.

News reports showed that Israel intended to Judaize Jerusalem and rob it of its Arab identity, and to make negotiations on Jerusalem meaningless.

Many resolutions had been adopted by the General Assembly and the Security Council on the subject of settlements in the occupied territories. Security Council resolution 446 (1979) had recognized that the Israeli policy and practice of establishing settlements had no legal validity and constituted a serious obstruction to achieving a comprehensive, just and lasting peace in the Middle East. That position had been reaffirmed in resolution 465 (1980), which took into account the need for measures for the impartial protection of private and public land and property, and water resources, and affirmed the applicability of the Geneva Convention of 1949 to the Arab territories occupied by Israel since 1967, including Jerusalem. In 1980, the International Labour Conference had called for an end to settlement policies and for existing settlements to be dismantled.

General Assembly resolution 50/129 had underlined the negative economic and social effects of settlements in the occupied territories and the Syrian Golan, recalled the inalienable right of the Palestinian people and the population of the Syrian Golan to their natural and other economic resources, and regarded any

infringement of that right as illegal. However, in 1995 Israel had confiscated hundreds of acres of cultivated agricultural land in the West Bank, depriving hundreds of Palestinian families of their sole source of income.

Arab land was being confiscated for Israeli settlements with total disregard for the needs of the Palestinian people in the territories. Also, Israel's use of water in the occupied territories had adversely affected the living conditions of Palestinians. The inequitable distribution of water had been evident in a television broadcast aired in 1995, on water shortages in Hebron, in which images of desiccated fields owned by Palestinians had been shown alongside images of Israeli orchards. Given the political events in the region, the actual picture was even more sombre than that painted in the ESCWA report.

His delegation was uneasy in the face of the intransigence of Israel, which had defied international law and agreements and had continued to undermine the substance of the Israeli-Arab negotiations since Madrid, violating agreements and failing to comply with its commitments. The Cairo conference of June 1996 had reaffirmed that the Arabs, conversely, cherished peace and adhered to the principle of a final settlement, as there could be no order and no security without a just peace. A just peace involved returning territory to its owners and restoring dignity to the Palestinians. Such a peace would benefit the international community, which must assume the responsibility of inducing the Israeli Government to cease its policy of establishing settlements, dismantle existing settlements and accept the land-for-peace principle, thereby enabling the Middle East to enjoy peace and stability.

Mr. RAZA (Pakistan) remarked that the grave economic and social crisis faced by the Palestinian people as a result of Israeli policies had ominous implications for security in the region. As noted in the ESCWA report (A/51/135-E/1996/51, annex), the gravity of the situation was evident from the fact that, although the peace agreements had been signed, the occupied Palestinian and Arab people still did not exercise sovereignty over their land and water resources. Israeli settlements were still being built, land was still being appropriated and water was still being diverted for Israel's needs. The statistics on water resources demonstrated clearly the total injustice to which the Arab population of the occupied territories was being subjected.

The situation described in the ESCWA report predated the new Government; henceforward the situation was likely to deteriorate.

The Council had to bring Israel's settlement policy to the attention of the other principal organs of the Organization. It must point out that it was the settlement policy which had bred the socio-economic causes of conflict. Israel's arrogant politics of dispossession, which flouted all international norms and laws, boded ill for the peace process.

The meeting rose at 6.20 p.m.